

THCI COMPANY LLC

July 11, 2005

VIA FACSIMILE, E-MAIL AND FEDERAL EXPRESS TO:

Integrated Health Services of Cliff Manor, Inc.
Integrated Health Services of Riverbend, Inc.
Integrated Health Services at Somerset Valley, Inc.
Alpine Manor, Inc.
Briarcliff Nursing Home, Inc.
Integrated Health Group
Spring Creek of IHS, Inc.
Firelands of IHS, Inc.
Elm Creek of IHS, Inc.
(collectively, the "Tenants")

IHS Long Term Care, Inc.
Abe Briarwood Corp.
Tri-State Health Investors, LLC

Attention: Harry Grunstein, President
c/o National Senior Care
c/o Mariner Health Care Inc.
The Highlands
920 Ridgebrook Road
Sparks, MD 21152
Facsimile No.: 410-773-2020

Re: Notice of Default Under Master Lease Agreement

Dear Mr. Grunstein:

Reference is made to: (i) the March 2002 Stipulation and Order by and between Integrated Health Services, Inc. ("IHS") and certain of its direct and indirect subsidiaries on the one hand, and THCI Company LLC (the "Landlord") on the other (the "March 2002 Stipulation"), which established that IHS and 9 of its subsidiaries assumed their nine respective leases (the "Leases"); (ii) the April 23, 2003 Order of the United States Bankruptcy Court for the District of Delaware, which provides that "a Master Lease shall be deemed to exist, which Master Lease shall be deemed to incorporate the terms set forth in paragraphs 3(a), (b), (c), (d), (e), and (f) of the March 2002 Stipulation and shall further be deemed to incorporate by reference all terms of the existing Leases to the extent not inconsistent with the March 2002 Stipulation;" and (iii) the Confirmation Order in the bankruptcy proceedings of Integrated Health Services, Inc. entered on May 12, 2003, which

provides, *inter alia*, that "the Master Lease shall be treated as an assumed lease pursuant to section 365 of the Bankruptcy Code, and the applicable Debtor(s) party to such Master Lease shall perform the Master Lease until the Effective Date of the Plan, after which the Master Lease shall be performed by the applicable Reorganized Debtor(s)"

As you know, numerous uncured defaults exist under the Master Lease as specified in notices provided to Tenants in letters dated, among others, July 6, 2005; June 3, 2005; and May 6, 2005. In light of these defaults, and considering Tenants' stated position that they do not wish to remain in possession of the Facilities, Landlord hereby requests Tenants' voluntary surrender of the Facilities upon terms and conditions to be mutually agreed. These terms and conditions would be designed to accomplish a smooth transition of the Facilities and would take into account, first and foremost, the health and well-being of the residents of the Facilities. Moreover, this surrender would be without prejudice to any legal rights of Landlord and Tenants including but not limited to issues which are the subject of the various litigation matters among the parties and Landlord's right to seek all damages due from Tenants or any guarantor arising from breaches of the Master Lease.

If Tenants do not agree to a voluntary surrender of the Facilities, this letter will serve as Landlord's notice to Tenants to surrender the Facilities on a date to be determined, no less than 10 days from the date hereof, contingent upon, among other things, receipt by Landlord's designees of the necessary state licenses and appropriate arrangements for the health and well-being of the residents. In addition, Landlord intends to seek eviction of the Tenants as soon as reasonably practicable, subject to similar conditions, and Tenants' continued possession of the Facilities will be without the consent of the Landlord. Furthermore, pursuant to Section 38.2 of each of the nine Leases, as incorporated by reference into the Master Lease, Tenants are required to use their best efforts to transfer to Landlord or Landlord's nominee all licenses, permits, governmental authorizations and contracts. Landlord will hold Tenants responsible for all damages, including delays, caused by Tenant's failure to abide by this provision.

Pursuant to Section 16.7 of each of the nine Leases, as incorporated by reference into the Master Lease, Tenants are responsible for the costs of enforcement following an event of default. Landlord has incurred significant costs and expenses to date. An involuntary eviction proceeding would require substantial additional costs, which could be avoided if Tenants agree to voluntarily vacate the Facilities.

If you wish to discuss this matter, please contact me at 201-242-4905 or Bob Grossman of Arent Fox 212-484-3950 immediately.

Very truly yours,

THCI Company LLC

By: Michael A. Sherman
 Michael S. Sherman
 Vice President and General Counsel

TO: (VIA FACSIMILE, E-MAIL AND FEDERAL EXPRESS)

IHS Long Term Care, Inc.
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c/o National Senior Care
c/o Mariner Health Care Inc.
The Highlands
920 Ridgebrook Road
Sparks, MD 21152
Attention: Harry Grunstein, President
Facsimile No.: 410-773-2020

ABE Briarwood Corp.
c/o SMV Property Holdings, LLC
c/o Cammeby's International Ltd.
45 Broadway, 25th Floor
New York, NY 10006
Facsimile No.: 212-284-3798
Attention: Rubin Schron

IHS Long Term Care, Inc.
The Highlands
910 Ridgebrook Road
Sparks, Maryland 21152

IHS Long Term Care, Inc.
c/o Robert H. Freilich
Paul, Hastings, Janofsky & Walker LLP
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Los Angeles, CA 90071
Facsimile No. 213-996-3314
robertfreilich@paulhastings.com

Abe Briarwood Corp.
c/o Kaufman Group
321 Fifth Avenue, 3rd Floor
New York, New York 10016

Attention: Uri Kaufman

Abe Briarwood Corp.
c/o Troutman Sanders LLP
The Chrysler Building
405 Lexington Avenue
New York, New York 10174
Attention: Amos Alter, Esq.
Facsimile No. 212-704-5914
amos.alter@troutmansanders.com
Attention: Leonard Grunstein, Esq.
Facsimile No.: 212-704-5910
leonard.grunstein@troutmansanders.com

Abe Briarwood Corp.
c/o Duane Morris LLP
1100 North Market Street, Suite 1200
Wilmington, Delaware 19801-1246
Attention: Michael Lastowski, Esq.
Facsimile No.: 302-657-4901
mlastowski@duanemorris.com

Abe Briarwood Corp.
c/o Backenroth Frankel & Krinsky LLP
489 Fifth Avenue
New York, New York 10017
Attention: Abraham J. Backenroth, Esq.
Facsimile No.: 212-644-0544
abackenroth@bfklaw.com

Tri-State Health Investors, LLC
1680 Michigan Avenue, Suite 736
Miami Beach, Florida 33139
Facsimile No.: 305-538-2699
Attention: Avi Klein
A_KLEIN@TRI-STATE-HEALTH.COM